

MERLYNN

**The future of Internal Dispute Resolution (IDR) and
Breach Reporting in Australia**

The use of digital twin technology to promote quality and consistency
of outcomes for customers and AFS licensees.

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The Context

The findings of the Hayne Royal Commission and the introduction of the new ASIC Regulatory Guide 271 and 78 have driven the demand for efficient and effective internal dispute resolution (IDR) and breach reporting outcomes in Australia

All frameworks for IDR and remediation are comprised of a phased approach and an operating model that leverages:

1. Subject matter experts – to ensure quality decisions
2. Operational excellence – processes to deliver high quality requirement at a speed that is defensible in the eyes of the regulator

3. Tools and technology – providing operational capability to deliver cost effectively and at scale

For financial institutions to comply with consumer protection-based regulations, decision outcomes need to be fair, efficient, and consistent.

The Challenge

The challenge to deliver equitable outcomes lies in accurately and efficiently managing volumes of complex cases, with limited expert resources and budget constraints.

Ultimately the quality of the assessment of the case is heavily reliant upon the case assessor.

Decision Complexity

The remediation and IDR processes both seek to determine:

- The appropriateness of the financial products and services including advice dispensed to a customer,
- The extent of any customer harm or detriment suffered, and
- Appropriate action and compensation

Existing compliance technology deals with instances of gross negligence or misconduct or clear non-compliance but the complexity lies in the cases which are less clear cut. These require the consideration of various industry or subject matter experts (SME's) to:

- Analyse the facts and nuances of each scenario,
- Examine the various regulatory obligations, regulatory guides and

legal tests to determine a breach or non-compliance,

- Apply judgement to determine subjective issues such as materiality,
- Arrive at an equitable finding and solution.

Aside from service delivery objectives, regulatory requirements compel organisations to make these highly cognitive decisions quickly and efficiently without compromising the quality of the assessment.

The challenge to deliver on these ideals is exacerbated by the scarcity and cost of human expertise.

Tacit Knowledge

Experts gain their ability through years of experience, developing a deep instinctual understanding of a field, problem, or risk; this type of expertise is tacit knowledge.

Traditional rules-based technologies and workflow systems are unable to accommodate the complexity of highly nuanced decisions, nor the judgment required to remove uncertainty and deal with ambiguity in this process.

The Solution

The solution lies in scaling existing skill and expertise of the expert case assessor to improve the quality and consistency of IDR and remediation decisions for more equitable customer outcomes.



The Technology - TOM™

Merlynn's Tacit Object Modeler - TOM™, is designed to replicate and scale human expertise and highly cognitive decision making.

TOM™ creates a digital replica of the organisations' best experts, enabling the organisation to automate decisions with appropriate context and consistency in real-time and at scale.

The technology not only provides a solution to deal with high volumes of cases on a reactive basis, but TOM™ creates the ability to introduce a proactive quality control mechanism, to have decisions reviewed prior to the advice being dispensed, without delaying the process.



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